

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:265
ANSWERED ON:31.08.2007
TASK FORCE ON RRB BY RBI
Rawale Shri Mohan

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has set up a Task Force to suggest measures for enhancing the operational efficiencies of Regional Rural Bank;
- (b) whether the Task Force has submitted its report;
- (c) if so, the details thereof; and
- (d) the action taken by the Government thereon?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a),(b),(c) and (d): A Statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. 265 FOR 31ST AUGUST, 2007 REGARDING TASK FORCE ON RRB BY RBI TABLED BY SHRI MOHAN RAWALE.

(a) Reserve Bank of India (RBI), vide letter dated 11.9.2006, set up a Task Force to deliberate on empowering Regional Rural Bank (RRB) Boards for operational efficiency under the Chairmanship of Dr. K.G. Karmakar, Managing Director, National Bank for Agriculture and Rural Development (NABARD).

(b) The Task Force submitted its report to RBI on 12.2.2007.

(c) Some of the major recommendations of the Task Force, as reported by RBI are stated below :-

- 1) Increase in the number of Directors on the Boards of RRBs Board up to 15 on selective basis in case of large sized RRBs, created after amalgamation
- 2) Selection of Chairman of RRBs on merit from amongst a panel of qualifying officers
- 3) Minimum tenure of 2 years, subject to a maximum of 5 years for the Chairman
- 4) The term of nominee directors should not exceed two terms of two years each
- 5) Need to orient non-official Directors on the Boards of RRBs towards the functions of RRBs and their responsibilities as Nominee Directors
- 6) RRBs should be subjected to the same level of safeguards and regulatory norms regarding capital adequacy as applicable to commercial banks after the process of amalgamation is over
- 7) RRBs must have the following Committees:
 - (i) Risk Management Committee
 - (ii) Management Committee
 - (iii) Investment, HR and IT Committee and
 - (iv) Audit Committee
- 8) Chairmen of RRBs, should also be appointed as Members of the Empowered Committee (EC) constituted by RBI
- 9) Matters relating to categorisation of branches, staffing norms and promotion policies and other HR matters may be studied in depth by a Committee/Task Force, set up for the purpose by RBI/ Government of India (GOI).
- 10) RRBs need to take up computerisation of major areas of operations, Management Information System (MIS) in branches, controlling offices and HO in the next 3 years by adopting an Action Plan

11) RRBs may be allowed to deal in Non-resident (External) Rupee Account Scheme (NRE)/ Foreign Currency Non-resident Account(Banks) [FCNR(B)] / Forward Contract Regulation Act (FCRA), certificates of deposits, etc. in consortium with sponsor bank and given freedom to place their money in term deposits with any bank

12) RRBs may join in consortium finance with public sector banks/ Development Financial Institutions (DFIs).

13) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 may be extended to RRBs

14) Provisions under section 80(P) of Income Tax Act may be continued for a further period of 5 years or till the restructuring process is completed, whichever is earlier.

(d) The report is under consideration of RBI. However, some of the recommendations such as minimum tenure of two years for the Chairman, constitution of Committee for Human Resources Policy, computerization of RRBs, RRBs to accept NRE/ FCNR deposits, RRBs to join Public Sector Banks for consortium finance, extension of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 to RRBs etc. already stand implemented.